

Department of Management and Budget

(Amounts In Thousands)

Funding History

	FY90			FY01	FY02	FY03
GF/GP	\$32,160.9			\$56,026.0	\$43,868.2	\$43,372.7
All Funds	\$109,600.8			\$175,095.0	\$172,685.3	\$188,634.7
	% Change - GF/GP				-21.7%	-1.1%
	% Change - All Funds				-1.4%	9.2%

KEY ISSUES

	GF/GP	All Funds
Building Occupancy and Rent Adjustments	\$0.0	\$14,728.7
Tightened Security at State Buildings	\$0.0	\$4,792.0
Parking Adjustments Funded with User Fees	\$0.0	\$3,214.8
Professional Development Funds	\$0.0	\$750.0
Restricted Fund Source Increases	\$0.0	\$543.7
Restoration of Funding for Office of Children's Ombudsman and Offset with Other Department Savings	\$61.1 (\$61.1)	\$61.1 (\$61.1)
State Building Authority Contract Oversight	\$0.0	\$50.0
Reduce Funding for Retirement Services Technology Plan	\$0.0	(\$8,000.0)
Statewide Cost Allocation Plan Adjustment	(\$23.6)	\$0.0
Adjustment to Reflect End of 1997 Early Retirement Payouts	(\$27.5)	(\$126.1)
Economic Adjustments	(\$179.8)	\$260.9
Staff Reductions Needed to Pay for Employee Economics (4.0 FTE's)	<u>(\$264.6)</u>	<u>(\$264.6)</u>
Subtotal	(\$495.5)	\$15,949.4
FY 2003 Executive Recommendation	\$43,372.7	\$188,634.7

Department of Management and Budget

The Department of Management and Budget supports the business operations of state agencies through a variety of services. These services include: building management and maintenance, centralized contracting and purchasing programs, space planning and leasing, construction management, management of the state motor vehicle fleet and management of the state's retirement systems. Within the department, there are also three autonomous agencies. The Office of the State Budget coordinates all Executive Budget activities and oversees the state's accounting, payroll and demographic functions. The Office of the State Employer oversees all collective bargaining negotiations; formulates and administers labor relations policies for state classified employees; and administers group insurance and health benefit programs for state employees.

"We're extremely proud that the Government Finance Officers Association has given us its Award for Excellence in Financial Reporting fourteen years in a row."

**Don Gilmer, State Budget Director,
January 11, 2002**

The Office of Children's Ombudsman monitors compliance with statutes, rules, and policies pertaining to children's protective services and the placement, supervision, and treatment of children in foster care and adoptive homes.

The total recommended budget for fiscal year 2003 is \$188.6 million, of which \$43.4 million is general fund.

Achievements of Engler Administration

During the 1990's, the Department of Management and Budget initiated several operational changes to improve government effectiveness and reduce costs. These improvements include:

- Successful preparation of the state's computer systems for rollover to the Year 2000, earning national recognition for the quality of its efforts.
- Implementation of a new statewide accounting system resulting in improved financial management information and practices.
- Implementation of a defined contribution retirement plan for state employees, legislative employees and judges.
- Multiple agreements between the state and unions addressing rising health care costs for state employees, while maintaining high quality care through the use of preferred provider organizations, increased deductibles and prescription drug co-payments.
- Addition of electronic commerce services to better serve customers and vendors.
- Successful six-week reduction in the time required to publish the state's financial statements, while earning national quality awards every year.
- Consolidation of state services in urban areas to create "one stop shopping" for citizens, increase operational efficiencies of state agency staff through co-location, eliminate redundancies in administering leased space, and obtain better lease rates.

- Leasing vehicles for state agency use, instead of buying them, to improve the state's cash flow.
- Implementation of an on-line auction Web site to sell state surplus items.
- Development of a standard geographic information framework for the state to map state lands, buildings, roads and other assets.
- Collaboration with Michigan schools and libraries to obtain \$261 million in federal funds for telecommunications services, Internet access and distance learning.
- Establishment of formal project management practices to improve the success of information technology projects.
- Reduction of paperwork and administrative overhead by using procurement cards for low dollar purchases.

As a result of these improvements, coupled with strong management throughout state government, Michigan received a grade of A- from *Governing* magazine for the quality of overall state government management -- one of only three states to receive an A-, the highest grade awarded.

"Michigan is one of a handful of states that stands out from the pack. It is clear to us that management is considered a critical area in the state, and it shows throughout."

Richard Greene, Projects Editor, *Governing* Magazine, January 30, 2001

Response to Revenue Decline

The Department of Management and Budget, through several management initiatives, including a major reorganization, has been able to protect its core responsibilities while reducing its general fund budget by \$2.5 million. These reductions are expected to minimally affect services as economies and efficiencies are made on a department-wide basis.

Summary of Fiscal Year 2003 Executive Budget

The Governor's fiscal year 2003 budget continues all reductions included in Executive Order 2001-9. In addition, the department will reduce its staff by four positions in order to pay for employee economics.

In response to public safety concerns, \$4.8 million is recommended for increased security services in public buildings. Professional development funds in the amount of \$750,000 are recommended for employee training and severance pay as negotiated in recent collective bargaining agreements. In addition, building occupancy charges are increased to cover costs associated with new state owned buildings, including the Hall of Justice. Savings of \$8.0 million is recommended as development and implementation costs for the Office of Retirement Services technology project have been fully funded.

Program Outcomes	Fiscal Year			
	2000	2001	2002	2003
In order to improve customer service to retirees, insure that at least 90% of retirees receive their first retirement check within 60 days after retirement	90%	97%	90%	90%
Improve customer satisfaction with facility design and construction services by meeting customer needs and time lines, and effectively controlling costs (percent satisfied)	N/A	79%	83%	85%
In order to support business operations, ensure that buildings are open and operational 99% of the time	99%	99%	99%	99%
In order to improve state governmental fiscal integrity, complete fiscal year with a positive balance in accord with Generally Accepted Accounting Principles	Accomplished	Accomplished	Will Accomplish	Will Accomplish
In order to improve customer service, increase the percent of vendor/payee registrations processed within 3 days of receipt	96%	97%	97%	97%